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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 003822

SIPDIS

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TAGS: [ECON](#) [ELAB](#) [IZ](#) [MCAP](#) [PGOV](#) [PINS](#)

SUBJECT: VETERANS' PENSION REFORM STALLED

Classified By: COUNSELOR FOR POLITICAL MILITARY AFFAIRS DAVID C. LITT F
OR REASONS 1.4 B AND D

1. (U) SUMMARY: On August 19, the Council of Ministers reached a preliminary consensus to grant veteran status to qualified personnel released from active duty in 2003. If approved by law, it would bring the total number of military pensioners in Iraq to nearly 800,000 (80-90% Sunni). Military pension reform could have an enormous impact on giving Sunni Arabs a stake in the developing political process. However, no public action on this subject has taken place since the meeting. END SUMMARY.

Dissolving the Army

2. (U) On May 23, 2003, the CPA Administrator dissolved the Iraqi military per CPA Order Number Two. This action reduces the possibility that Ba,athists in official positions could interfere with reconstruction, and allow for the reconstitution of the army from the ground up.

3. (U) An emergency monthly stipend was given to each of the personnel released from active duty as a temporary form of assistance. It was expected that by the end of 2004, retirement-eligible stipend recipients would begin receiving pensions, and most other stipend recipients would have found jobs. Due to the slow growth in employment and delays in pension reform, the stipend program was extended through the end of 2005. The Iraqi government and Embassy have been concerned about the ramifications of removing the stipend, and have sought to extend the stipend through 2006.

4. (U) The stipend is given to approximately 350,000 people, many of whom were otherwise eligible for retirement from the Iraqi military when they were dismissed. Recent reform efforts have focused on codifying the status of the population that receives this stipend, within a legal framework.

5. (U) The Council of Ministers made the following specific recommendations, per our translation from the Azzaman newspaper on August 20:

a. Employees of entities dissolved under CPA Order Number Two and military recruits who completed 15 years of service and who have not been found to be former Ba,athist leadership shall receive retirement benefits.

b. A temporary committee shall be formed, comprised of: members of the dissolved military offices; representatives of the Iraqi Veterans Agency; and representatives of the Ministry of Finance Pension Office. This committee will report directly to the General Secretariat of the Council of Ministers and contact all those eligible for retirement benefits, check their documents and ensure that all paperwork is completed in accordance with regulations.

c. All names of those who apply for retirement benefits will be subject to background checks for membership in the Ba,ath party.

d. Any employee who served for less than 15 years of active duty will be given a lump-sum payment of two months salary for each year of service, based on that person,s final rank at current salary.

e. The retired person will have the right to be reinstated with a government entity in accordance with the applicable laws and provisions.

f. Any employee found to have had significant Ba,ath party ties following a de-Ba,athification review will be excluded from all benefits.

6. (C) There was significant disagreement within the Council of Ministers on item f, the proposal to deny benefits to veterans with significant Ba,ath party ties. Deputy Prime Minister Chalabi preferred that former Ba,athists be given benefits. A majority of the Ministers agreed with Chalabi, but the reform proposal has stalled. (COMMENT: Though no evidence exists or public steps have been taken since the August 19 meeting, it is likely that the Iraqi Ministers, desire to give former Ba,athists benefits is an effort to curry favor with Sunnis who were senior leaders in the Iraqi

government under Saddam Hussein, but who are willing to embrace current political developments and the new Iraqi government. END COMMENT.)
Satterfield